

## Message Text

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ACTION COME-00

INFO OCT-01 AF-10 ISO-00 GSA-02 AID-20 CIAE-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

SPC-03 CIEP-02 LAB-06 SIL-01 OMB-01 DRC-01 /090 W

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FM AMEMBASSY KINSHASA

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E.O. 11652: N/A

TAGS: BEXP, CG

SUBJECT: US EXPORTS TO ZAIRE THREATENED BY DEVELOPING  
SHORTAGES US GOODS AND SUPPLIERS

1. DISCUSSIONS WITH USAID OFFICIALS REVEAL  
DIFFICULTIES IN PROCURING ESSENTIAL US COMMODITIES  
AND EQUIPMENT FINANCED BY USAID FOR ZAIRE'S TRANS-  
0945-589, 3:594. BASED ON AVAILABLE EVIDENCE,  
THIS SITUATION MAY POSE GRAVE PROBLEMS FOR THE  
CONTINUED EXPANSION OF US EXPORTS AND SERVICES TO  
ZAIRE UNDER THE CURRENT COUNTRY COMMERCIAL PROGRAM  
AND MAY CAUSE DELAYS IN ZAIRE'S ECONOMIC DEVELOP-  
MENT PROGRAMS.

2. RE GOZ INVITATION FOR BID (IFB) OF OCTOBER 12,  
(WHICH FINANCED UNDER AID LOAN) USAID MAILED IFB'S  
TO 60 POTENTIAL US SUPPLIERS/MANUFACTURERS. OF 39  
ITEMS COVERED IN IFB 13 BIDS SUBMITTED BY 13 FIRMS  
COVERING 31 COMMODITIES; NO BIDS WERE RECEIVED ON EIGHT  
COMMODITIES. THIS IS A REPEAT OF A SIMILAR DEVELOP-  
MENT IN LATE SEPTEMBER BIDDING FOR SIMILAR COMMODITIES.  
SALES OF APPROXIMATELY \$700,000 INVOLVED IN BOTH  
REFERNCED BIDS CONSISTING OF MACHINE TOOLS, CRANES,  
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PRESSES, HEAVY TRUCKS, ETC.

3. RE COMMODITIES ON WHICH NO BIDS MADE, USAID RECOMMENDED WITH GOZ APPROVAL THEY BE PROCURED THROUGH AGENTS, OR GSA/WASHINGTON. SINCE SUCH PROCUREMENT INVOLVES ADDITIONAL COST OF 5-10 PERCENT FOR AGENCY SERVICES FEE, ZAIRE OBTAINS THAT MUCH LESS IN FORM OF COMMODITY AID. CONTINUED SUPPLY US COMM-ODITIES THROUGH THIS MEANS COULD IMPAIR US COMMERCIAL IMAGE AND REPUTATION AND RAISE PRICE ECONOMIC DEVELOPMENT PROJECTS FOR GOZ.

4. RELUCTANCE OF US FIRMS TO RESPOND TO IFB'S PARTLY ATTRIBUTABLE TO INCREASING DEMAND FOR U.S. PRODUCTS AND THEIR INABILITY TO EFFECT DELIVERIES WITHIN REASONABLE TIME FRAME. IN ADDITION TO BRISK AND CONTINUING PACE INFLATION BOTH ABROAD AND AT HOME, US SUPPLIERS WOULD NATURALLY PREFER TO SATISFY THEIR PRIME CUSTOMERS AND TRADITIONAL MARKETS. THIS SITUATION MAY RESULT FROM SHARPLY INCREASED DEMANDS FOR DOMESTIC AND FOREIGN CONSUMPTION IN FACE OF LIMITED PLANT CAPACITIES AND DOLLAR DEVALUATIONS THAT HAVE ENABLED FOREIGN BUYERS TO COMPETE MORE STRENUOUSLY FOR US GOODS. ALSO, CHANGING STRUCTURE US ECONOMY FROM MANUFACTURING TOWARD SERVICES IN RECENT DECADE HAS RESULTED IN DECREASED CONTRIBUTION THAT SECTOR TO GNP AND THUS POSSIBLY LEAVING LESS MANUFACTURES FOR EXPORT.

6. SINCE GOZ PUBLIC SECTOR EXPERIENCING DIFFICULTY OBTAIN CRITICALLY NEEDED GOODS, IT LOGICAL TO ASSUME PRIVATE SECTOR MAY BE ENCOUNTERING SIMILAR PROBLEMS. IF LATTER UNABLE TO PURCHASE REQUISITE GOODS IN US WITH GOZ FREE FOREIGN EXCHANGE, THEY WOULD PROBABLY TURN TO OTHER SOURCES WITHOUT NOTIFYING EMBASSY.

7. RE COMMODITIES ON WHICH USAID HAS RECEIVED NO BIDS, WE BELIEVE IT MAY BE POSSIBLE FOR COMMERCE AND ORGANIZATIONS SUCH AS US CHAMBER OF COMMERCE, NAM, ETC. TO ASSIST IN COMPILATION EXPANDED LISTS OF POTENTIAL US SUPPLIERS AND THUS ATTRACT POSSIBLY IN LIMITED OFFICIAL USE

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THIS MANNER INCREASED NUMBER US FIRMS NEW-TO-MARKET AND NEW TO EXPORT. PRECISE DESIGNATION OF THE TYPES OF COMMODITIES REQUIRED WOULD BE FORWARDED WHICH WOULD ENABLE USAID TO MAIL IFB'S TO LARGER NUMBER POTENTIAL SUPPLIERS. STREAMLINING AID PROCUREMENT PROCEDURES WOULD ALSO FACILITATE SALES US GOODS FINANCED BY AID. MINIMUM FLEXIBILITY ALLOWED UNDER AID FORMAL BID PROCEDURES DISTORTS NORMAL COMMERCIAL PROCEDURES AND DEVELOPMENT CUSTOMER-MANUFACTURER RE-

LATIONSHIPS. WHILE AGREE ON NECESSITY OBTAIN  
COMPETITION, BELIEVE SYSTEM SHOULD BE REVIEWED TO  
TEST WHETHER US MANUFACTURERS FIND USEFUL OR OTHER-  
WISE.

9. EXISTING SALES DEMAND WITHOUT SUPPLIERS TO FILL THEM  
POSES A PROBLEM TO OUR EFFORTS TO EXPAND EXPORTS  
OF US GOODS TO ZAIRE AND TO ESTABLISH AGENCY  
REPRESENTATIONS HERE FOR INCREASED LINES OF US  
PRODUCTS. EMBASSY SOLICITS DEPARTMENT'S COMMENTS.  
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**Channel Indicators:** n/a  
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**Draft Date:** 30 OCT 1973  
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**Disposition Approved on Date:**  
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**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
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